

ARIZONA HOUSE OF REPRESENTATIVES  
Fifty-second Legislature – Second Regular Session

MINUTES RECEIVED  
CHIEF CLERK'S OFFICE

2-10-16

**COMMITTEE ON INSURANCE**  
Report of Regular Meeting  
Wednesday, February 10, 2016  
House Hearing Room 4 – 10:00 A.M.

**Convened** 12:19 P.M.

**Recessed**

**Reconvened**

**Adjourned** 1:27 P.M.

**Members Present**

Mr. Coleman  
Ms. Larkin  
Mr. Lovas  
Ms. McCune Davis  
Ms. Otondo  
Mr. Robson  
Mr. Livingston, Vice-Chairman  
Ms. Fann, Chairman

**Members Absent**

**Agenda**

Original Agenda – Attachment 1

**Request to Speak**

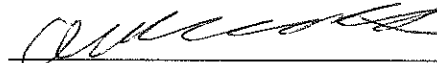
Report – Attachment 2

**Presentations**

<b><u>Name</u></b>	<b><u>Organization</u></b>	<b><u>Attachments (Handouts)</u></b>
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**Committee Action**

<b><u>Bill</u></b>	<b><u>Action</u></b>	<b><u>Vote</u></b>	<b><u>Attachments</u></b> (Summaries, Amendments, Roll Call, Attendance)
HB2239	DPA S/E	7-0-1-0	3, 4, 5
HB2445	DPA	5-3-0-0	6, 7, 8
	Committee Attendance		9

  
\_\_\_\_\_  
Adrian Luth, Chairman Assistant  
February 10, 2016

(Original attachments on file in the Office of the Chief Clerk; video archives available at <http://www.azleg.gov>)

COMV: 12:19 P.M.  
Adj: 1:27 P.M.

ARIZONA HOUSE OF REPRESENTATIVES  
Fifty-second Legislature - Second Regular Session

REGULAR MEETING AGENDA

**COMMITTEE ON INSURANCE**

DATE Wednesday, February 10, 2016

ROOM HHR 4

TIME 10:00 A.M. NOTE TIME  
CHANGE  
9:00 A.M.

Members:

Mr. Coleman  
Mr. Larkin  
Mr. Lovas

Ms. McCune Davis  
Ms. Otondo  
Mr. Robson

Mr. Livingston, Vice-Chairman  
Ms. Fann, Chairman

**Bills**

**Short Title**

**Strike Everything Title**

HB2239	<u>DPA S/E</u> technical correction; insurance; uniform plans (Fann)	S/E: premium tax credit; reciprocal insurer
	<u>7-0-1-0</u> INS, RULES	
HB2445	<u>DPA</u> motor vehicle insurance; nonrenewal (Livingston, Coleman, Fann, et al)	
	<u>5-3-0-0</u> INS, RULES	

**ORDER OF BILLS TO BE SET BY THE CHAIRMAN**

AL  
2/4/16

People with disabilities may request reasonable accommodations such as interpreters, alternative formats, or assistance with physical accessibility. If you require accommodations, please contact the Chief Clerk's Office at (602) 926-3032, TDD (602) 926-3241.

# Information Registered on the Request to Speak System

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*House Insurance (2/10/2016)*

## **HB2239, technical correction; insurance; uniform plans**

### **Testified in support:**

Kerry L. Hayden, FARMERS INSURANCE GROUP OF COMPANIES

### **Support:**

Garrick Taylor, Arizona Chamber Of Commerce And Industry; J. Michael Low, Attorney, ALLSTATE INSURANCE CO, American Family Insurance, Prudential Insurance; Andy Tobin, representing self

### **Neutral:**

Stephen Briggs, representing self

### **All Comments:**

Andy Tobin, Self: This legislation will help bring 40 million dollars to the Arizona economy in the form of investment and expand on a job program that will ultimately result in about 1100 jobs. Please help keep AZ job growth moving.; Stephen Briggs, Self: The department of insurance is neutral on this bill but we have been involved in the process.

## **HB2445, motor vehicle insurance; nonrenewal**

### **Testified in support:**

Don Isaacson, STATE FARM INSURANCE COMPANIES; David Childers, FARMERS INSURANCE GROUP OF COMPANIES, Geico Insurance, Nationwide Insurance Co., Liberty Mutual Insurance Co., PROPERTY CASUALTY INSURERS ASSOC OF AMERICA; Noel Young, ALLSTATE INSURANCE CO

### **Support:**

Stuart Goodman, CSAA Insurance Group; Jeff Sandquist, Big I; Jeff Sandquist, Independent Insurance Agents & Brokers Of Arizona; Lanny Hair, Independent Ins. Agents & Brokers Of Az; Kerry L. Hayden, FARMERS INSURANCE GROUP OF COMPANIES; Garrick Taylor, Arizona Chamber Of Commerce And Industry; Mike Huckins, GREATER PHOENIX CHAMBER OF COMMERCE; J. Michael Low, Attorney, ALLSTATE INSURANCE CO, American Family Insurance; Amanda Rusing, American Insurance Association

### **Neutral:**

Stephen Briggs, representing self

### **All Comments:**

Stephen Briggs, Self: Representing the Department of Insurance.

# Information Registered on the Request to Speak System

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*House Insurance (2/10/2016)*

## **SB1428, PSPRS modifications**

### **Testified in support:**

Ken Strobeck, LEAGUE OF ARIZONA CITIES & TOWNS; James Mann, FRATERNAL ORDER OF POLICE (AZ STATE LODGE); Barry Aarons, APACHE COUNTY, City Of Prescott, City Of Scottsdale, GREENLEE COUNTY; Mike Huckins, GREATER PHOENIX CHAMBER OF COMMERCE; will buividas, representing self; Bryan Jeffries, representing self; Pete Constant, REASON FOUNDATION; John Giles, representing self

### **Testified as neutral:**

Jared Smout, PUBLIC SAFETY PERSONNEL RETIREMENT SYS

### **Support:**

Jen Marson, AZ ASSOCIATION OF COUNTIES; Don Isaacson, FRATERNAL ORDER OF POLICE (AZ STATE LODGE); Jim Waring, representing self; John Flynn, Arizona Fire District Association; John Flynn, Arizona Fire Chiefs Association; Alison Zelms, Deputy City Manager, PRESCOTT, CITY OF; Thomas Parker, Arizona Fraternal Order Of Police, FRATERNAL ORDER OF POLICE (AZ STATE LODGE); Heather Wilkey, Town Of Gilbert; Mayor John Lewis, Mayor, Town of Gilbert, representing self; Michael Gardner, PROFESSIONAL FIRE FIGHTERS OF AZ; Jason Winsky, Combined Law Enforcement Associations Of Arizona; Mary Dalton, representing self; Douglas Cole, Town Of Paradise Valley; Katherine Fischer, AZ CHAMBER OF COMMERCE; Craig Sullivan, County Supervisors Association; Michael Colletto, PROFESSIONAL FIRE FIGHTERS OF AZ; Stan Hoover, Other; Rob Bohr, GOODYEAR, CITY OF; Douglas Cole, TUCSON, CITY OF; John Wayne Gonzales, Legislative Liaison, City Of Phoenix; Andrew Greenhill, TUCSON, CITY OF; Ryan Peters, CHANDLER, CITY OF; Erin Roper, representing self

### **Neutral:**

Douglas Cole, PSPRS

### **Oppose:**

Kevin McCarthy, Arizona Tax Research Association; Daniel Russo, representing self

### **All Comments:**

Jared Smout, PUBLIC SAFETY PERSONNEL RETIREMENT SYS: The PSPRS Board of Trustees fully supports the ballot initiative to change the PBI to a CPI-based COLA mechanism.; Barry Aarons, APACHE COUNTY, City Of Prescott, City Of Scottsdale, GREENLEE COUNTY: Comment was necessary to add additional clients wishing to sign in under support.; Mary Dalton, Self: President, Arizona Fire District Association; will buividas, Self: Phoenix Law Enforcement Association; Douglas Cole, PSPRS: Support eliminating PBI and replacing with COLA; Pete Constant, REASON FOUNDATION: Have presentation to fully explain elements of reform; Erin Roper, Self: The City of Kingman supports this bill.



# HOUSE OF REPRESENTATIVES

HB 2239

technical correction; insurance; uniform plans

Prime Sponsor: Representative Fann, LD 1

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X Committee on Insurance

Caucus and COW

House Engrossed

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## OVERVIEW

HB 2239 makes a technical correction relating to uniform plans.

## Summary of Strike-Everything Amendment

The strike-everything amendment to HB 2239 states a reciprocal insurer and its attorney-in-fact are considered as the same entity for the purposes of calculating the premium tax credit for new employment.

## PROVISIONS

1. Assigns a reciprocal insurer and its attorney-in-fact as the same entity for the purposes of calculating the premium tax credit for new employment.
2. Removes the premium tax credit sunset date.
3. Applies retroactively to January 1, 2016.

## CURRENT LAW

Pursuant to A.R.S. § 20-224.03, a credit is allowed against the premium tax liability for net increases in full-time employees hired in qualified employment positions in the state. The amount of the credit is equal to: \$3,000 for each full-time employee hired in a qualified employment position in the first year or partial year of employment, \$3,000 for each employee in a qualified employment position in the second year of continuous employment, and \$3,000 for each employee in a qualified employment position in the third year of continuous employment.

To qualify for the tax credit the business must: be located in this state before July 2017, and invest at least \$5 million of capital investment and create at least 25 new qualified employment positions in a year in an urban area or \$1 million of capital investment and create at least 5 new qualified positions in a rural area. A new qualified position must consist of at least 1750 hours per year of employment, provide health insurance coverage for the employee, and pay at least minimum wage.

PROPOSED

HOUSE OF REPRESENTATIVES AMENDMENTS TO H.B. 2239

(Reference to printed bill)

1 Strike everything after the enacting clause and insert:

2 "Section 1. Section 20-224.03, Arizona Revised Statutes, is amended to  
3 read:

4 20-224.03. Premium tax credit for new employment

5 A. For taxable years beginning from and after June 30, 2011 through  
6 ~~December 31, 2019~~, a credit is allowed against the premium tax liability  
7 imposed pursuant to section 20-224, 20-837, 20-1010, 20-1060 or 20-1097.07  
8 for net increases in full-time employees residing in this state and hired in  
9 qualified employment positions in this state as computed and certified by the  
10 Arizona commerce authority pursuant to section 41-1525. FOR THE PURPOSES OF  
11 THIS SECTION AND SECTION 41-1525:

12 1. A tax credit is not allowed against the portion of the tax payable  
13 to the fire fighters' relief and pension fund pursuant to section 20-224 or  
14 the portion of the tax payable to the public safety personnel retirement  
15 system pursuant to section 20-224.01.

16 2. A RECIPROCAL INSURER AND ITS ATTORNEY-IN-FACT ARE CONSIDERED TO BE  
17 THE SAME ENTITY FOR THE PURPOSES OF CALCULATING THE TAX CREDIT UNDER THIS  
18 SECTION.

19 B. Subject to subsection F of this section, the amount of the tax  
20 credit is equal to:

21 1. Three thousand dollars for each full-time employee hired in a  
22 qualified employment position in the first year or partial year of  
23 employment. Employees hired in the last ninety days of the taxable year are

1 excluded for that taxable year and are considered to be new employees in the  
2 following taxable year.

3 2. Three thousand dollars for each full-time employee in a qualified  
4 employment position for the full taxable year in the second year of  
5 continuous employment.

6 3. Three thousand dollars for each full-time employee in a qualified  
7 employment position for the full taxable year in the third year of continuous  
8 employment.

9 C. The capital investment and the new qualified employment positions  
10 requirements of section 41-1525, subsection B must be accomplished within  
11 twelve months after the start of the required capital investment. No credit  
12 may be claimed until both requirements are met. A business that meets the  
13 requirements of section 41-1525, subsection B for a location is eligible to  
14 claim first year credits for three years beginning with the taxable year in  
15 which those requirements are completed. Employees hired at the location  
16 before the beginning of the taxable year but during the twelve-month period  
17 allowed in this subsection are considered to be new employees for the taxable  
18 year in which all of those requirements are completed. The employees that  
19 are considered to be new employees for the taxable year under this subsection  
20 shall not be included in the average number of full-time employees during the  
21 immediately preceding taxable year until the taxable year in which all of the  
22 requirements of section 41-1525, subsection B are completed. An employee  
23 working at a temporary work site in this state while the designated location  
24 is under construction is considered to be working at the designated location  
25 if all of the following occur:

26 1. The employee is hired after the start of the required investment at  
27 the designated location.

28 2. The employee is hired to work at the designated location after it  
29 is completed.

30 3. The payroll for the employees destined for the designated location  
31 is segregated from other employees.

1           4. The employee is moved to the designated location within thirty days  
2 after its completion.

3           D. To qualify for a credit under this section, the insurer and the  
4 employment positions must meet the requirements prescribed by section  
5 41-1525.

6           E. A credit is allowed for employment in the second and third year  
7 only for qualified employment positions for which a credit was claimed and  
8 allowed in the first year.

9           F. The net increase in the number of qualified employment positions is  
10 the lesser of the total number of filled qualified employment positions  
11 created at the designated location or locations during the taxable year or  
12 the difference between the average number of full-time employees in this  
13 state in the current taxable year and the average number of full-time  
14 employees in this state during the immediately preceding taxable year. The  
15 net increase in the number of qualified employment positions computed under  
16 this subsection may not exceed the difference between the average number of  
17 full-time employees in this state in the current taxable year and the average  
18 number of full-time employees in this state during the immediately preceding  
19 taxable year.

20           G. A taxpayer who claims a credit under section 20-224.04 shall not  
21 claim a credit under this section with respect to the same employment  
22 positions.

23           H. If the allowable tax credit exceeds the state premium tax  
24 liability, the amount of the claim not used as an offset against the state  
25 premium tax liability may be carried forward as a tax credit against  
26 subsequent years' state premium tax liability for a period not exceeding five  
27 taxable years.

28           I. If the business is sold or changes ownership through  
29 reorganization, stock purchase or merger, the new taxpayer may claim first  
30 year credits only for the qualified employment positions that it created and  
31 filled with an eligible employee after the purchase or reorganization was  
32 complete. If a person purchases a taxpayer that had qualified for first or



1 second year credits or if an insurance business changes ownership through  
2 reorganization, stock purchase or merger, the new taxpayer may claim the  
3 second or third year credits if it meets other eligibility requirements of  
4 this section. Credits for which a taxpayer qualified before the changes  
5 described in this subsection are terminated and lost at the time the changes  
6 are implemented.

7 J. An insurer that claims a tax credit against state premium tax  
8 liability is not required to pay any additional retaliatory tax imposed  
9 pursuant to section 20-230 as a result of claiming that tax credit.

10 K. A failure to timely report and certify to the Arizona commerce  
11 authority the information prescribed by section 41-1525, subsection E and in  
12 the manner prescribed by section 41-1525, subsection F disqualifies the  
13 insurer from the credit under this section. The department of insurance  
14 shall require written evidence of the timely report to the Arizona commerce  
15 authority.

16 L. A tax credit under this section is subject to recovery for a  
17 violation described in section 41-1525, subsection H.

18 M. The department may adopt rules necessary for the administration of  
19 this section.

20 N. For the purposes of subsection B, paragraphs 2 and 3 of this  
21 section, if a full-time employee in the qualified employment position leaves  
22 during the taxable year, the employee may be replaced with another new  
23 full-time employee in the same employment position and the new employee will  
24 be treated as being in their THE EMPLOYEE'S second or third full year of  
25 continuous employment for the purposes of the credit under this section if:

26 1. The total time the position was vacant from the date the employment  
27 position was originally filled to the end of the current tax year totals  
28 ninety days or less.

29 2. The new employee meets all of the same requirements as the original  
30 employee was required to meet.

House Amendments to H.B. 2239

1           Sec. 2. Effective date: retroactivity

2           Section 20-224.03, Arizona Revised Statutes, as amended by this act, is  
3           effective retroactively to, and applies to taxable years beginning, from and  
4           after December 31, 2015."

5 Amend title to conform

KAREN FANN

2239kf1  
02/05/2016  
11:02 AM  
C: dmt

**ARIZONA HOUSE OF REPRESENTATIVES**  
**Fifty-second Legislature - Second Regular Session**

**ROLL CALL VOTE**

COMMITTEE ON INSURANCE BILL NO. HB 2239

DATE February 10, 2016 MOTION: DPA S/E

	PASS	AYE	NAY	PRESENT	ABSENT
Mr. Coleman		X			
Mr. Larkin	X			X	
Mr. Lovas		X			
Ms. McCune Davis		X			
Ms. Otondo		X			
Mr. Robson		X			
Mr. Livingston, Vice-Chairman		X			
Ms. Fann, Chairman		X			
		7	0	1	0

APPROVED:

Karen Fann, Chairman  
KAREN FANN, Chairman  
DAVID LIVINGSTON, Vice-Chairman

  
COMMITTEE SECRETARY

ATTACHMENT 5



# HOUSE OF REPRESENTATIVES

HB 2445

motor vehicle insurance; nonrenewal

Prime Sponsor: Representative Livingston, LD 22

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X Committee on Insurance

Caucus and COW

House Engrossed

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## OVERVIEW

HB 2445 allows an auto insurer to non-renew a policy provided certain requirements are met.

## PROVISIONS

1. Permits an auto insurer to non-renew a policy provided that a notice of non-renewal for reasons other than nonpayment of the premium is mailed to the insured at least 45 days prior to the effective date of non-renewal.
2. Authorizes an insurer to refund any unearned premium by electronic means.
3. Authorizes an auto insurer to non-renew an insurance policy if the named insured establishes a primary residence in another state.
4. Allows an auto insurer to transfer any of its policies to an affiliated insurer.
5. Asserts a person who believes non-renewal was made unlawfully may file a written objection with the director of the Department of Insurance (Director).

## CURRENT LAW

Pursuant to A.R.S. § 20-1631, an auto insurer cannot cancel a policy that has been in effect for sixty days, or fail to renew a policy unless:

1. The insured:
  - a. Fails to pay the premium,
  - b. Has had their driver licenses suspended or revoked,
  - c. Develops a permanent disability that impairs their ability to drive,
  - d. Has been convicted of criminal negligence, a DUI, leaving the scene of an accident, reckless driving, or made false statements in the driver license's application,
2. The insurance was obtained through fraudulent misrepresentation,
3. The insurer is placed in rehabilitation or receivership,
4. The insured vehicle is used for commercial purpose, or is used for transportation network services without proper coverage,
5. The Director determines that continuing the policy is in violation of law or jeopardizes the solvency of the insurer, or
6. The insured's eligibility for insurance due to employment is terminated.

Fifty-second Legislature  
Second Regular Session

COMMITTEE ON INSURANCE  
HOUSE OF REPRESENTATIVES AMENDMENTS TO H.B. 2445  
(Reference to printed bill)

1 Page 7, between lines 28 and 29, insert:

2 "N. AN INSURER OR INSURANCE PRODUCER SHALL NOT INQUIRE ON AN  
3 APPLICATION FOR A MOTOR VEHICLE INSURANCE POLICY WHETHER THE APPLICANT, ANY  
4 PERSON WHO RESIDES IN THE SAME HOUSEHOLD AS THE NAMED INSURED AND CUSTOMARILY  
5 OPERATES A MOTOR VEHICLE TO BE INSURED UNDER THE POLICY OR ANY OTHER PERSON  
6 WHO REGULARLY AND FREQUENTLY OPERATES A MOTOR VEHICLE TO BE INSURED UNDER THE  
7 POLICY, HAS BEEN NONRENEWED BY AN INSURER."

8 Reletter to conform

9 Amend title to conform

and, as so amended, it do pass

KAREN FANN  
CHAIRMAN

2445INSURANCE  
02/10/2016  
01:38 PM  
H: rca

ATTACHMENT 7

**ARIZONA HOUSE OF REPRESENTATIVES**  
**Fifty-second Legislature - Second Regular Session**

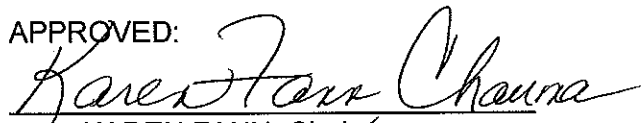
**ROLL CALL VOTE**

COMMITTEE ON INSURANCE BILL NO. HB 2445

DATE February 10, 2016 MOTION: DPA

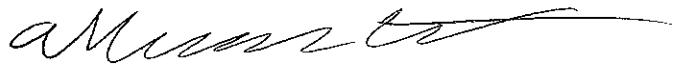
	PASS	AYE	NAY	PRESENT	ABSENT
Mr. Coleman		X			
Mr. Larkin	X		X		
Mr. Lovas		X			
Ms. McCune Davis			X		
Ms. Otondo			X		
Mr. Robson		X			
Mr. Livingston, Vice-Chairman		X			
Ms. Fann, Chairman		X			
		5	3	0	0

APPROVED:



KAREN FANN, Chairman

DAVID LIVINGSTON, Vice-Chairman



COMMITTEE SECRETARY

ATTACHMENT 8

ARIZONA STATE LEGISLATURE  
Fifty-second Legislature - Second Regular Session

COMMITTEE ATTENDANCE RECORD

COMMITTEE ON INSURANCE

CHAIRMAN: Karen Fann VICE-CHAIRMAN: David Livingston

DATE	02/10/16	/16	/16	/16	/16
CONVENED	12:19 p.m.	m	m	m	m
RECESSED					
RECONVENED					
ADJOURNED	1:27 p.m.				
MEMBERS					
Mr. Coleman	X				
Mr. Larkin	X				
Mr. Lovas	X				
Ms. McCune Davis	X				
Ms. Otondo	X				
Mr. Robson	X				
Mr. Livingston, Vice-Chairman	X				
Ms. Fann, Chairman	X				

√ Present      --- Absent      exc Excused